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SUBJECT: S/P DIRECTOR KRASNER DISCUSSES ASIAN REGIONAL
ARCHITECTURE WITH MOFA OFFICIAL

¶1. (SBU) S/P Director Krasner January 12 met with MOFA Senior Official Deputy Director General Masashi Mizukami to discuss East Asian "architecture." Mizukami said the GOJ was only now starting to coordinate its positions on the multiple proposals for different forms of East Asian integration. He stated that in Japan's view, APEC is a good forum but not the only one.

¶2. (SBU) He admitted that the GOJ was somewhat surprised by the U.S. call for a Free Trade Area of the Asia Pacific (FTAAP) at the recent APEC summit in Hanoi because when ABAC had proposed a similar idea two years earlier the U.S. had dismissed it. For Japan, the first priority on trade liberalization remained the Doha Round (DDA) of the WTO. Nevertheless, Japan supported the U.S. proposal at Hanoi although it did not see the U.S. idea as more or less appropriate than competing integration proposals. Rather, Japan would like regional players to begin to study the various proposal concurrently so that, depending on future economic circumstances, they could later decide which path to take. At the same time, Mizukami noted, that there was some doubt within the GOJ (although he did not indicate how widespread it was) as to the seriousness of the United States' FTAAP proposal. Some in the GOJ saw it a "tactical" move to push the EU into making additional concession in the DDA.

¶3. (SBU) For Japan, APEC had both advantages and disadvantages. One advantage is "coverage"; APEC consists of 21 members covering approximately 60 percent of world trade. On the negative side, APEC is not an appropriate forum for negotiation since it is difficult to build a consensus within the organization to take concrete actions. An advantage of Japan's "ASEAN plus 6" proposal is that it includes India which was a growing factor in the region, while APEC has the advantage of including Taiwan, although this, Mizukami noted several times, was "a very sensitive issue", especially for the Chinese who, he explained, are insisting that only "one China" can negotiate trade liberalization.

¶4. (SBU) Krasner assured Mizukami that the FTAAP was a "sincere" proposal on the part of the United States and not a tactical move to increase leverage in the DDA. At the same time, the FTAAP proposal did not signal a lessening of U.S. support for the WTO, which remained the U.S.' top trade priority. The United States was moving forward simultaneously on trade liberalization in bilateral, regional and global arenas and saw these efforts as complimentary, not contradictory. The U.S. shared Mizukami's concern's about the difficulty of reaching "concrete" outcomes in APEC but noted that, after almost 20 years, APEC has history behind it" and the challenge for members was to find ways to provide

the organization a more focused agenda. S/P staffer James Green noted that, for the United States, the inclusion of Taiwan was one of APEC's key advantages. China today is in a much stronger regional position than it was at the time of the first APEC Leaders' Meeting in 1993 so that any new regional structure would almost certainly exclude Taiwan. Since the WTO includes both Hong Kong and Taiwan as separate members, Krasner added he believed there would be a way to address these concerns within APEC in the process of moving forward on an FTAAP.

¶5. (SBU) In response to final question as to whether, in Japan's view, there was any other regional organizations that could fulfill what the United States saw as the key unifying role of APEC, Mizukami briefly mentioned a less obviously but tangible benefit of APEC's current structure. As opposed to an "academic-type forum" such as the OECD, APEC's system of rotating hosts provided the opportunity for small and medium-sized economies to take a leadership role in the region and grab the attention of world leaders. Vietnam's experience was an excellent example of this intangible benefit. He described 2006, the year Vietnam both hosted APEC and joined the WTO, as "a turning point" for that country equivalent to Japan's hosting of the Olympic Games in 1964.

¶6. (U) This cable was cleared by S/P Director Krasner.
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